

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, November 9, 2005 – 1:30 p.m. – Room W135 House Building

Members Present:

Sen. Curtis S. Bramble, Senate Chair
Rep. Wayne A. Harper, House Chair
Sen. Mike Dmitrich
Sen. Brent H. Goodfellow
Sen. Lyle W. Hillyard
Sen. Howard A. Stephenson
Pres. John L. Valentine
Rep. Sheryl L. Allen
Rep. Tim M. Cosgrove
Rep. Glenn A. Donnelson
Rep. Craig A. Frank
Rep. Gregory H. Hughes
Rep. Fred R. Hunsaker
Rep. Rebecca Lockhart
Rep. Rosalind J. McGee

Rep. Carol Spackman Moss
Rep. Merlynn T. Newbold
Rep. Patrick L. Painter
Rep. Gordon E. Snow

Members Absent:

Rep. Ralph Becker
Rep. Bradley G. Last

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Committee Business

Chair Harper called the meeting to order at 1:59 p.m. Rep. Last was excused from the meeting.

MOTION: Rep. Donnelson moved to approve the minutes of the October 19, 2005 meeting. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Sen. Stephenson, Pres. Valentine, Rep. Allen, Rep. Cosgrove, Rep. Hughes, Rep. McGee, Rep. Moss, and Rep. Painter absent for the vote.

Mr. Howe distributed and discussed a memo from the Privately Owned Health Care Organization Task Force. He explained that this progress report is being submitted to the Committee as directed by the legislation that created the Task Force.

Mr. Howe distributed and discussed "Subsection 59-12-104 (50)." He explained that this subsection directs the Committee to annually review the cost of the sales and use tax exemption for sales of semiconductor fabricating and processing equipment. He said that the Utah State Tax Commission reported that in Fiscal Year 2005 the cost of this exemption was \$1,255,000 in state sales and use tax revenue and \$406,300 in local sales and use tax revenue.

Mr. Howe distributed and discussed "Section 59-10-551." He explained that this section directs the Committee to annually review contributions on the individual income tax return.

2. Final Report of the Tax Reform Task Force

Rep. Harper distributed and discussed "Draft Legislation and Proposals Under Consideration."

Mr. Bob Rees, Associate General Counsel, Office of Legislative Research and General Counsel, distributed and discussed 2006 General Session draft legislation "Resolution Regarding Property Tax on Personal Property."

Rep. John Dougall spoke to the Committee in favor of the draft resolution.

MOTION: Pres. Valentine moved to recommend 2006 General Session draft legislation "Resolution Regarding Property Tax on Personal Property" as a Committee bill. The motion passed with Sen. Dmitrich, Rep. Allen, Rep. Cosgrove, Rep. Hunsaker, Rep. McGee, Rep. Moss, and Rep. Snow voting in opposition and Sen. Hillyard and Sen. Stephenson absent for the vote.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Gross Receipts Tax Amendments, Repeal, and Public Utility Tariffs."

Mr. Mike Jerman, Utah Taxpayers Association, spoke in favor of the draft legislation.

Mr. Roger Tew, citizen, gave a short history of the gross receipts tax.

MOTION: Sen. Dmitrich moved to recommend 2006 General Session draft legislation "Gross Receipts Tax Amendments, Repeal, and Public Utility Tariffs" as a Committee bill. The motion passed unanimously.

Ms. Rockwell distributed and discussed 2006 General Session draft legislation "Apportionment of Business Income to Utah."

MOTION: Sen. Bramble moved to recommend 2006 General Session draft legislation "Apportionment of Business Income to Utah" as a Committee bill. The motion passed with Rep. Cosgrove, Rep. Hunsaker, Rep. McGee, and Rep. Moss voting in opposition and Sen. Hillyard absent for the vote.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Advertising Property Tax Increases" and "Current Notice Format."

Mr. Roger Tew, Utah League of Cities and Towns, spoke in opposition to including a percentage property tax increase as part of the newspaper advertising notice.

Mr. LeGrand Bitter, Association of Special Districts, spoke in favor of the draft legislation that the Property Tax Working Group of the Tax Reform Task Force recommended.

Mr. Mike Jerman, Utah Taxpayers Association, spoke in favor of retaining the percentage property tax increase as part of the newspaper advertising notice.

MOTION: Rep. McGee moved to recommend 2006 General Session draft legislation "Advertising Property Tax Increases" as a Committee bill.

SUBSTITUTE MOTION: Sen. Bramble moved to proceed to the next agenda item. The motion passed with Sen. Dmitrich, Sen. Goodfellow, Rep. Cosgrove, Rep. McGee, and Rep. Moss voting in opposition.

Ms. Rockwell distributed and discussed 2006 General Session draft legislation "Sales and Use Tax - Exemption for Isolated or Occasional Sales." She explained that this legislation is recommended by the Utah Tax Review Commission.

MOTION: Sen. Hillyard moved to recommend 2006 General Session draft legislation "Sales and Use Tax - Exemption for Isolated or Occasional Sales" as a Committee bill. The motion passed unanimously with Pres. Valentine absent for the vote.

Ms. Rockwell distributed and discussed 2006 General Session draft legislation "Sales and Use Tax Exemption - Telecommunications."

Mr. Roger Tew, Utah League of Cities and Towns, spoke to the draft legislation.

MOTION: Sen. Bramble moved to recommend 2006 General Session draft legislation "Sales and Use Tax Exemption - Telecommunications" as a Committee bill. The motion passed unanimously with Sen. Goodfellow, Sen. Hillyard, Pres. Valentine, and Rep. Hughes absent for the vote.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Property Tax - Circuit Breaker Qualifying Limits."

MOTION: Sen. Dmitrich moved to recommend 2006 General Session draft legislation "Property Tax - Circuit Breaker Qualifying Limits" as a Committee bill. The motion passed unanimously with Sen. Goodfellow, Sen. Hillyard, Pres. Valentine, and Rep. Hughes absent for the vote.

Ms. Rockwell distributed and discussed 2006 General Session draft legislation "Sales and Use Tax Exemption for Sales of Certain Agricultural Products."

MOTION: Rep. Newbold moved to recommend 2006 General Session draft legislation "Sales and Use Tax Exemption for Sales of Certain Agricultural Products" as a Committee bill. The motion passed with Rep. Allen voting in opposition and Sen. Dmitrich, Sen. Hillyard, Pres. Valentine, and Rep. Hughes absent for the vote.

Ms. Rockwell distributed and discussed 2006 General Session draft legislation "Sales and Use Tax Exemption for Semiconductor Fabricating, Processing, Research, or Development Materials."

Mr. Stan Lockhart, Micron Technologies, explained that this draft legislation is a renewal of an existing sales and use tax exemption and presented a short history of this exemption.

MOTION: Rep. Snow moved to amend 2006 General Session draft legislation "Sales and Use Tax Exemption for Semiconductor Fabricating, Processing, Research, or Development Materials" as follows:

Page 39, Line 1183: Bracket "(i)" and insert "(a)"

Page 39, Line 1184: Bracket "(ii)" and insert "(b)" and after "property;" delete "and"

Page 39, Lines 1191 through 1198: Bracket lines 1191 through 1198

And make conforming amendments to the long title.

The motion passed with Rep. Allen, Rep. Cosgrove, Rep. Lockhart, and Rep. McGee voting in opposition and Sen. Hillyard absent for the vote.

MOTION: Sen. Bramble moved to recommend 2006 General Session draft legislation "Sales and Use Tax Exemption for Semiconductor Fabricating, Processing, Research, or Development Materials" as amended as a Committee bill. The motion passed with Rep. McGee voting in opposition and Sen. Hillyard absent for the vote.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Local Option Sales and Use Tax Distribution Amendments."

Mr. Roger Tew, Utah League of Cities and Towns, said that his organization agrees that the local option sales and use tax hold harmless provision needs to be changed but said that his organization should be allowed to develop a specific proposal for consideration.

Mr. David Spatafore, representing Riverdale City, spoke in opposition to removing the hold harmless provision.

MOTION: Sen. Bramble moved to recommend 2006 General Session draft legislation "Local Option Sales and Use Tax Distribution Amendments" as a Committee bill. The motion passed with Sen. Dmitrich, Sen. Goodfellow, Rep. Allen, Rep. Cosgrove, Rep. Moss, and Rep. Snow voting in opposition and Sen. Hillyard and Rep. Painter absent for the vote.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "School Districts - Limited Amendments to Truth in Taxation."

MOTION: Sen. Bramble moved to amend 2006 General Session draft legislation "School Districts - Limited Amendments to Truth in Taxation" by changing "2003" to "2007" on Line 91. The motion passed unanimously.

MOTION: Sen. Dmitrich moved to recommend 2006 General Session draft legislation "School Districts - Limited Amendments to Truth in Taxation" as amended as a Committee bill. The motion passed unanimously.

Sen. Bramble distributed and discussed "Chapter 4 - Community Development and Renewal Act." He encouraged all interested parties to meet with Mr. Lincoln Shurtz, Utah League of Cities and Towns, to draft legislation to amend the Redevelopment Act.

3. Annual Report of the Utah Tax Review Commission

Mr. Keith Prescott, Chair, Utah Tax Review Commission, distributed and discussed "2005 Progress Report to the Revenue and Taxation Interim Committee," "Major Highlights of Draft Legislation 'Income Tax -- Taxation of Individuals, Estates, and Trusts'" and 2006 General Session draft legislation "Income Tax - Taxation of Individuals, Estates, and Trusts."

MOTION: Rep. Newbold moved to recommend 2006 General Session draft legislation "Sales and Use Tax Exemption for Transportation. The motion passed unanimously.

4. Other Items / Adjourn

MOTION: Rep. Donnelson moved to adjourn. The motion passed unanimously.

Chair Harper adjourned the meeting at 4:51 p.m.